

Housing and Planning Scrutiny Select Committee

17 March 2026

Part 1 - Public

Matters for Information



Cabinet Member	Cllr Robin Betts, Cabinet Member for Housing, Environment and Economy
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Estate Management Companies

1 Summary and Purpose of Report

- 1.1 Members raised concerns about the operations of Estate Management Companies across new build housing estates across the Borough and requested an information paper on the subject.

2 Corporate Strategy Priority Area

- 2.1 Efficient services for all our residents, maintaining an effective council.
- 2.1.1 Residents have reported lived experience of difficulties and concerns relating to Estate Management Companies to Members/local councillors. Members have therefore expressed concern about this area of management at previous meetings of this Scrutiny Select Committee on new build estates and this report seeks to give an overview of the area of query to inform Members views and any related actions.

3 Introduction

- 3.1 Estate Management Companies (EMCs) have become an increasingly common feature of new-build residential developments. They are created to manage communal areas that local authorities do not adopt, including green spaces, roads, drainage, and estate infrastructure. While intended to maintain quality, their growing use has raised significant concerns among homeowners, local authorities, and national regulators.
- 3.2 This report summarises:

- What EMCs do
- Issues being experienced by residents
- The regulatory environment and ongoing reforms
- Local concerns and the role of Section 106 agreements
- Registered Providers approach and views
- Implications for homeowners and councils.

4 What Estate Management Companies do

4.1 An Estate Management Company is typically appointed by a developer to maintain unadopted communal areas. Their responsibilities often include:

- Green spaces, parks, play areas
- Private roads, footpaths, driveways
- Lighting, drainage, and bin collection areas.
- Management of buildings e.g. community halls

4.2 These arrangements have expanded significantly over the past two decades, with new build estate management fees becoming known as ‘fleecehold’ and an industry norm. The HomeOwners Alliance highlights that owners of at least one million homes on 20,000 privately managed estates face paying estate charges and permission fees.

5 What are freehold estate charges?

5.1 Freehold estate charges apply where shared amenities are not adopted by the council and must be privately maintained. Responsibility is usually set through legal documents signed at purchase.

5.2 Freehold estates are private or mixed-tenure estates where shared areas and amenities, such as roads, play areas and open spaces, are not owned or looked after by the local authority. Responsibility for their management will instead rest with a private company (often the original developer) or homeowners themselves through a residents’ management company (RMC).

5.3 The private company or RMC will normally employ a property management company/agent to organise the necessary maintenance work on the estate, and the estate residents will be required to pay for the maintenance via an estate charge.

5.4 Key issues:

- Council tax is not reduced to account for these additional charges.
- Charges can increase without clarity or limits.
- Charges are typically tied to the property deeds, making selling more difficult.

6 Current issues and resident concerns

6.1 High and Unclear Charges

6.1.1 The Competition and Markets Authority (CMA) has found widespread consumer detriment, including:

- High and non-transparent fees
- Poor communication and a lack of itemised breakdowns of charges.

6.1.2 The CMA have made recommendations on estate management following the publication of their market study into housebuilding:

- address the increasing prevalence of private estate management arrangements and the negative effects this can have
- improve quality and redress routes for consumers
- improve the planning system to counteract the time, expense, and uncertainty associated with negotiating it and the effect this has on the number of planning permissions sought and granted each year
- deliver the number of homes required to meet targets which go beyond the level private housebuilders have an incentive to provide.

6.1.3 Many homeowners face high fees for low-quality services, sometimes even being charged before the estate is completed.

6.2 Limited Rights and Lack of Accountability

6.2.1 Freehold homeowners currently have very limited statutory rights to challenge charges or the work undertaken. They have no right to manage, unlike leaseholders.

6.2.2 Freehold homeowners on these estates currently have very limited rights over the cost and quality of services provided.

6.2.3 Where the developer or RMC employs a property management company, a freeholder may be able to lodge a complaint with a redress scheme. Many property management companies in England belong to a government-approved redress scheme: The Property Ombudsman or The Property Redress Scheme. These schemes provide for independent resolution of disputes and there is government guidance on the schemes, which can be accessed [here](#).

6.3 Poor or Substandard Infrastructure

6.3.1 Some estates are delivered with substandard landscaping or infrastructure, such as improperly planted trees or cheap road finishes, resulting in higher long-term maintenance costs for residents.

6.4 Lack of Dispute Resolution Mechanisms

6.4.1 While leaseholders can use tribunals, freeholders generally cannot and disputes must go through the county court route.

6.5 Issues Raised by Councillors and Local Residents

6.5.1 Councillors in the borough have reported:

- Inconsistent behaviour by management companies
- Financial strain on residents due to additional management fees
- Unclear service levels and limited influence over company practices.

6.5.2 Members are gathering ward-level evidence to understand the extent of the problems across the borough.

7 The role of Section S106 agreements

7.1 Section 106 (S106) agreements were originally intended to mitigate development impacts e.g. on roads or schools. However, over time developers have increasingly used private management companies to reduce S106 spend and choose to state they will directly manage public realm areas and facilities. At one time Local Planning Authorities adopted the land/facilities and were responsible for its maintenance but they do not adopt facilities/amenity/landscaping areas now for a variety of reasons principally down to cost.

7.2 Councils may choose not to adopt open spaces to reduce long-term maintenance costs and/or where the developer has chosen to keep them as private (albeit accessible to the public). This can mean homeowners end up paying for amenities that are effectively public, without ownership or control (albeit in some cases homeowners can be represented on the estate management board).

7.3 Councils could choose to adopt green spaces, which would give the option of 'designing out' management companies but this would only be likely on new strategic developments, and not on smaller developments. It is important to note that green spaces are often multi-functional and can accommodate Sustainable Drainage Systems (SuDS) and Swales as well as possibly community buildings which cannot be separated from the scheme. This has arisen due to the change in consenting where combined systems i.e. waste and foul water cannot be discharged to the main foul systems.

7.4 Given the complexities of this and the lack of alternative options for adoptions, the S106 route is not the appropriate route for resolution.

7.5 Conditions can and do require how the open spaces will be managed for the lifetime of the development and this meets the 6 tests for conditions.

8 Registered Providers views and approach to EMCs

8.1 Registered Providers of affordable homes find that with fewer council adoptions of roads/open space developers rely heavily on unregulated managing agents. The charges of estate management lead to residents often feeling they are 'paying twice' through both service charges and council tax.

8.2 A local Registered Provider kindly provided information on their experiences and views relating to estate management approaches and costs, with key points as follows:

8.2.1 Service Charge Inequity

- Issues have arisen where all residents pay equal shares of estate management costs but affordable homes were also given additional areas requiring management (e.g. parking areas, pavements), which need to be included in the Registered Provider service charges. This has resulted in higher service charges for affordable homes.
- To avoid this inequity, some Registered Providers now seek transfer of dwellings only, with no additional verges, paths, or open areas, so affordable residents pay the same estate service charge as private residents. Developer willingness to agree this approach varies.
- Some RPs will only take the freeholds of flats where they can control the block management and maintenance.

8.2.2 Upfront Review of Service Charges, estimates and caps

- providers will assess the site layout, open spaces and potential maintenance requirements to understand the likely service charges and estate management costs before making an offer on a Section 106 scheme.
- Providers are likely to request managing agents' service-charge estimates before entering contracts and challenge irrelevant or inaccurate items. One provider has fed back that they frequently challenge items included in costs.
- Providers may seek to negotiate caps for estate service charges, for the first few years. Providers have highlighted that longer-term caps are not feasible because they could impact on costs to private owners which isn't fair.

8.2.3 Managing Agent Performance Issues are experienced and one provider has advised they recently supported a developer in terminating a poorly performing

managing agent and taking estate management in-house. Please note, this was not within TMBC.

8.2.4 Impact of Biodiversity Net Gain (BNG) - BNG requirements are increasing open-space areas on estates, significantly raising long-term maintenance costs. Providers may decline Section 106 sites where extensive open spaces make service charges unsustainably high, especially where rent caps limit recoverable costs.

8.2.5 Hopeful legislative reform will bring improvements – it is hoped legislative changes will bring improved regulation and standards to managing agents, provided the changes do not lead to increased costs for service-charge payers.

9 Future Regulatory Framework

9.1 Leasehold and Freehold Reform Act 2024

9.1.1 The Act introduces new rights for freeholders, including the ability to:

- Challenge estate charges via the First-tier Tribunal
- Appoint a substitute manager where an EMC fails
- Receive improved transparency and regular reporting from estate managers
- Require estate managers to consult freeholders where the anticipated cost of major works exceeds a specified amount
- Require developers who do not employ a managing agent, as well as estate managers on freehold estates, to belong to a redress scheme.

9.1.2 The 2024 act has received Royal Assent but most provisions are not yet in force and will require further consultation and secondary legislation.

9.2 Government consultations

9.2.1 The government launched consultations in December, seeking views on how to effectively implement the new regulatory framework for freehold estates and reduce the prevalence of Estate Management Companies. The two consultations are open from December 2025 to March 2026. Please note that a review of the consultations has led us to conclude that the proposals are picking up on the relevant issues/challenges that Officers are aware of and as such specific responses have not been submitted.

9.3 Enhanced Protections for Homeowners on Freehold Estates (closing 12 March 2026)

9.3.1 Proposals include:

- Removing disproportionate enforcement remedies
- Mandatory qualifications for managing agents
- Improved transparency on fees and charges

- Options to empower residents to take control.

9.3.2 This consultation can be found [here](#).

9.4 Reducing the Prevalence of Private Estate Management (also closing 12 March 2026)

9.4.1 Proposals include:

- Common standards for adoptable amenities
- Possible mandatory adoption of certain infrastructure
- Reducing financial incentives for non-adoption
- Prohibiting “embedded” management companies chosen by developers in deeds.

9.4.2 This consultation can be found [here](#).

9.5 Government commitment to ending ‘Fleecehold’

9.5.1 The 2024 King’s Speech confirmed that future legislation aims to end unfair costs and the “injustice of fleecehold.”

9.5.2 The government has published a draft Commonhold and Leasehold Reform Bill which, when implemented, will deliver its manifesto and King’s Speech commitments to reinvigorate and reform the commonhold model, making it easier for existing leaseholders to convert to commonhold should they wish to do so, and banning the use of leasehold for most new flats.

9.5.3 The Bill will also support existing leaseholders by capping ground rents at £250 a year, changing to a peppercorn after 40 years, and by abolishing the draconian threat of forfeiture. In place of forfeiture, the Bill will introduce a new, fairer and more proportionate lease enforcement scheme benefitting both leaseholders and landlords. In addition, the Bill will tackle similarly harsh enforcement powers that apply to estate rent charges on freehold estates by repealing those powers as they relate to estate rent charges.

9.5.4 Taken together, these reforms will significantly improve the current system for the 5 million existing leasehold properties and their owners, while ensuring a better deal for future generations of homeowners in England and Wales. The Bill will give homeowners much greater security and control over their homes through access to fit for purpose and modern commonhold ownership.

10 Characteristics of effective estate management

10.1 Where EMCs function well, they typically demonstrate:

- Strong knowledge of the estate and its needs
- Transparent communication, including budgets, costs, and inspection reports
- Registration with professional bodies such as ARMA or RICS.

11 Risks associated with poorly managed or dormant management companies

11.1 Where a residents' management company is used, failure to maintain corporate compliance (e.g., filing accounts) can:

- Prevent sales or remortgages
- Lead to costly legal issues
- Be impossible to rectify in extreme cases, if many homeowners and lenders need to co-ordinate.

12 Conclusions and next steps

12.1 Estate management companies play a key role in maintaining unadopted amenities in new developments. However, increasing reliance on EMCs has created substantial financial and governance challenges for homeowners. National bodies such as the CMA and central government have recognised these issues, prompting major reforms aimed at improving transparency, accountability, and long-term sustainability.

12.2 Locally there is growing concern about the impact of EMC practices on residents, prompting evidence-gathering and the potential for committee-level action.

12.3 The implementation of the Leasehold and Freehold Reform Act 2024 and associated consultations is likely to bring positive changes to estate management practices, with a shift toward more regulated, transparent, and resident-focused systems.

12.4 Officers note the current government consultations consider the main areas of concern relating to Estate Management Companies and resulting legislative reform should improve their operations and governance. Consequently, the Council has not submitted specific consultation response.

Background Papers	None
Annexes	None